

over a 15-year period. As a result of this practice, the old-age and survivors insurance trust fund held special issues totaling \$2,150 million, acquired before 1966, that consisted of \$1,070 million maturing in 1979 and \$1,080 million maturing in 1980 (table 6).

However, the interest rate on special issues acquired in June of each year 1966-75, as determined under section 201(d) of the Social Security Act, was higher than the maximum rate of 4¼ percent to which the interest rate on long-term issues (bonds) is generally limited. Thus, the former practice could not be followed until the enactment of Public Law 93-53 on July 1, 1973. Accordingly, the entire amounts available for investment in June of each year 1966-73 were invested in short-term issues (notes). As a result, the old-age and survivors insurance trust fund held \$19,997 million in special issues consisting of 7-year notes that were distributed in varying amounts maturing on June 30 of each year 1976-80 (table 6).

On June 30, 1974, the investment practice in effect before 1966 was reinstated. As a result, the old-age and survivors insurance trust fund held \$13,669 million in special issues at the end of June 1975 that were acquired in 1974 and 1975 and were distributed in virtually equal amounts of about \$1,367 million maturing in each of the years 1981-1990 (table 6). The investment operations of the fund in fiscal years 1974 and earlier are described in the 1975, and earlier, annual reports.

#### SUMMARY OF THE OPERATIONS OF THE FEDERAL DISABILITY INSURANCE TRUST FUND, FISCAL YEAR 1975

A statement of the income and disbursements of the Federal disability insurance trust fund during fiscal year 1975, and of the assets of the fund at the beginning and end of the fiscal year is presented in table 7. Comparable amounts for fiscal year 1974 are also shown in the table.

The total assets of the disability insurance trust fund amounted to \$8,253 million on June 30, 1974. During fiscal year 1975, total receipts amounted to \$7,920 million and total disbursements were \$7,982 million. The assets of the trust fund thus decreased \$62 million during the year to a total of \$8,191 million on June 30, 1975.

Included in total receipts were \$6,616 million representing contributions appropriated to the fund, and \$776 million representing amounts received by the Secretary of the Treasury in accordance with State coverage agreements and deposited in the fund. As an offset, \$35 million was transferred from the trust fund into the Treasury as repayment for the estimated amount of contributions subject to refund to employees who worked for more than one employer during the course of a year and paid contributions on wages in excess of the statutory maximum earnings base.

Net contributions amounted to \$7,356 million, an increase of 18.0 percent over the amount for the preceding fiscal year. This increase is accounted for, in part, by the same factors, insofar as they apply to contributions of the disability insurance trust fund, that accounted for the increase in contributions to the old-age and survivors insurance trust fund (described in the preceding section), and in part by the provision in Public Law 93-233, enacted December 31, 1973, that increased the portion of the contribution rate allocated to finance benefits from the disability insurance trust fund. Effective January 1, 1974, the allocated rate for employees and employers was increased

from 0.55 percent of taxable earnings each to 0.575 percent each. For the self-employed, the allocated rate was increased from 0.795 percent to 0.815 percent. Although these increases in the contribution rates became effective in 1974, the first full fiscal year during which the higher rates were operative was 1975.

TABLE 7.—STATEMENT OF OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING FISCAL YEARS 1974 AND 1975

[In thousands]

	Fiscal year 1974	Fiscal year 1975
Total assets of the trust fund, beginning of year .....	\$7, 869, 472	\$8, 252, 865
Receipts:		
Contributions:		
Appropriations .....	5, 651, 996	6, 615, 691
Deposits arising from State agreements .....	632, 646	775, 875
Gross contributions .....	6, 284, 642	7, 391, 567
Less payment into the Treasury for contributions subject to refund .....	50, 217	35, 350
Net contributions .....	6, 234, 425	7, 356, 217
Reimbursement from general fund of the Treasury for costs of noncontributory credits for military service .....	52, 000	52, 000
Interest:		
Interest on investments .....	479, 140	511, 960
Interest on amounts of interfund transfers due to adjustment in allocation of administrative expenses and construction costs <sup>1</sup> .....	2, 641	-372
Interest on amounts transferred from the old-age and survivors insurance trust fund due to adjustment in allocation of cost of vocational rehabilitation services .....	20	68
Net interest .....	481, 800	511, 656
Total receipts .....	6, 768, 225	7, 919, 873
Disbursements:		
Benefit payments .....	6, 158, 569	7, 629, 796
Transfer to railroad retirement account .....	22, 327	28, 514
Payment for cost of vocational rehabilitation services for disabled beneficiaries:		
For the current fiscal year .....	50, 010	71, 900
Less transfer from the old-age and survivors insurance trust fund due to adjustment in allocation of cost for prior fiscal year .....	340	965
Net payment for cost of vocational rehabilitation services .....	49, 670	70, 936
Administrative expenses:		
Department of Health, Education, and Welfare .....	185, 814	227, 270
Treasury Department .....	11, 650	11, 290
Construction of facilities for Social Security Administration .....	329	420
Expenses of the Department of Health, Education, and Welfare for administration of vocational rehabilitation program for disabled beneficiaries .....	560	548
Interfund transfers due to adjustment in allocation of:		
Administrative expenses <sup>2</sup> .....	-44, 353	13, 045
Costs of construction <sup>2</sup> .....	280	412
Gross administrative expenses .....	154, 281	252, 985
Less receipts from sale of surplus supplies, materials, etc. ....	14	
Net administrative expenses .....	154, 266	252, 985
Total disbursements .....	6, 384, 833	7, 982, 231
Net addition to the trust fund .....	383, 392	-62, 358
Total assets of the trust fund, end of year .....	8, 252, 865	8, 190, 507

<sup>1</sup> A positive figure represents a transfer of interest to the disability insurance trust fund from the other social security trust funds. A negative figure represents a transfer of interest from the disability insurance trust fund to the other social security trust funds.

<sup>2</sup> A positive figure represents a transfer from the disability insurance trust fund to the other social security trust funds. A negative figure represents a transfer to the disability insurance trust fund from the other social security trust funds.

In addition, the trust fund received \$52 million in December from the general fund of the Treasury, as reimbursement for the costs of noncontributory credits for military service.

The remaining \$512 million of receipts consisted of interest on the investments of the fund, plus interest on amounts of interfund transfers.

Of the \$7,982 million in total disbursements, \$7,630 million was for benefit payments, an increase of 23.9 percent over the corresponding amount paid in the fiscal year 1974. This increase is accounted for by the same factors insofar as they apply to disabled-worker beneficiaries and their dependents, that resulted in the increase in benefit payments from the old-age and survivors insurance trust fund (described in the preceding section).

Provisions governing the financial interchanges between the railroad retirement account and the disability insurance trust fund are similar to those referred to in the preceding section relating to the old-age and survivors insurance trust fund. The determination made as of June 30, 1974, required that a transfer of \$26,900,000 be made from the disability insurance trust fund to the railroad retirement account. This amount was transferred to the railroad retirement account in June 1975, together with interest to the date of transfer amounting to \$1,614,000.

The remaining disbursements amounted to \$253 million for net administrative expenses and \$71 million for the cost of vocational rehabilitation services furnished to disabled-worker beneficiaries and to those dependents of disabled workers who are receiving benefits on the basis of disabilities that have continued since childhood.

As stated in an earlier section, the total amount of funds that may be made available in a fiscal year for payment for the costs of vocational rehabilitation services may not exceed a specified percentage of the benefits certified for payment in the preceding year from the old-age and survivors insurance and disability insurance trust funds to disabled persons receiving benefits because of their disability. This limitation on the amounts to be made available was 1 percent in each fiscal year through 1972, 1¼ percent in fiscal year 1973, and 1½ percent in fiscal years 1974 and 1975. The following data show the relationship between the total amount of payments for the costs of such rehabilitation services for each fiscal year, 1971-75, and the corresponding amount of benefits paid in the prior fiscal year from the trust funds to disabled beneficiaries:

Fiscal year to which costs of rehabilitation services are charged	Amount of payments for costs of rehabilitation services <sup>1</sup> (in thousands)	Estimated amount of benefit payments in preceding fiscal year to disabled beneficiaries (in thousands)	Payments for costs of rehabilitation services as percent of preceding year's benefit payments
1971.....	\$23,079	\$2,464,004	0.94
1972.....	29,940	3,028,695	0.99
1973.....	37,464	3,629,590	1.03
1974.....	54,055	4,637,054	1.17
1975.....	83,206	5,547,407	1.50

<sup>1</sup> The amounts shown represent the expenditures for a fiscal year and differ from amounts expended in a fiscal year as shown in accounting statements of the trust funds on a cash basis. The amount shown for each fiscal year is subject to further change.

At the end of fiscal year 1975, some 4,125,000 persons were receiving monthly benefits from the disability insurance trust fund. The distribution of benefit payments in fiscal years 1974 and 1975, by type of beneficiary, is shown in table 8.

TABLE 8.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE DISABILITY INSURANCE TRUST FUND, BY TYPE OF BENEFICIARY, FISCAL YEARS 1974 AND 1975

[Dollar Amounts in millions]

	1974		1975	
	Amount	Percent of total	Amount	Percent of total
Total .....	\$6,158.6	100	\$7,629.8	100
Disabled workers .....	5,042.5	82	6,266.8	82
Wives and husbands .....	296.8	5	349.6	5
Children .....	819.3	13	1,013.4	13

The assets of this fund at the end of fiscal year 1975 totaled \$8,191 million, consisting of \$8,156 million in the form of obligations of the U.S. Government and an undisbursed balance of \$35 million. Table 9 shows a comparison of the total assets of the fund and their distribution at the end of fiscal years 1974 and 1975.

The net decrease in the par value of the investments owned by the fund during the fiscal year amounted to \$37 million. New securities at a total par value of \$8,498 million were acquired during the fiscal year through the investment of receipts, the reinvestment of funds made available from the redemption of securities, and the exchange of securities. The par value of securities redeemed or exchanged during the year was \$8,535 million. Included in these amounts is \$7,529 million in certificates of indebtedness that were acquired and redeemed within the fiscal year.

The effective annual rate of interest earned by the assets of the disability insurance trust fund during fiscal year 1975 was 6.8 percent. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1975 was 7% percent, payable semiannually.

The investment policy and practices described in the preceding section apply equally to investments of the assets of the disability insurance trust fund. A distribution of these investments by type of government security and date of maturity is shown in table 9.

TABLE 9.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1974 AND 1975

	June 30, 1974		June 30, 1975	
	Par value	Book value <sup>1</sup>	Par value	Book value <sup>1</sup>
<b>Investments in public-debt obligations:</b>				
Public issues:				
Treasury notes:				
6 percent, 1975 .....	\$3,750,000	\$3,750,000.00		
6 percent, 1978 .....	2,000,000	2,003,350.68	\$2,000,000	\$2,002,592.04
6½ percent, 1978 .....	2,000,000	2,003,664.13	2,000,000	2,002,641.61
7½ percent, 1976 .....	26,000,000	25,960,366.09	26,000,000	25,979,390.53
7½ percent, 1977 .....	14,000,000	13,984,397.66	14,000,000	13,989,457.94
8 percent, 1977 .....	10,000,000	10,000,000.00	10,000,000	10,000,000.00
Treasury bonds:				
3½ percent, 1990 .....	10,500,000	10,068,848.42	10,500,000	10,096,515.98
3½ percent, 1998 .....	5,000,000	4,746,762.80	5,000,000	4,757,169.80
4 percent, 1980 .....	30,250,000	30,245,342.45	30,250,000	30,246,176.33
4½ percent, 1989-94 .....	68,400,000	67,739,412.84	68,400,000	67,772,719.68
4½ percent, 1975-85 .....	20,795,000	20,779,645.42	20,795,000	20,780,509.73
4½ percent, 1987-92 .....	80,800,000	80,918,110.59	80,800,000	80,909,083.11
6¾ percent, 1984 .....	15,000,000	15,055,156.93	15,000,000	15,049,731.61
7½ percent, 1988-93 .....	26,500,000	25,764,571.55	26,500,000	25,802,941.67
8½ percent, 2000-05 .....			3,750,000	3,729,489.26
Total investments in public issues .....	314,995,000	313,019,629.56	314,995,000	313,118,419.29

See footnote at end of table, p. 21.

TABLE 9.—ASSETS OF THE DISABILITY INSURANCE TRUST FUND, BY TYPE, AT THE END OF FISCAL YEARS 1974 AND 1975—Continued

	June 30, 1974		June 30, 1975	
	Par value	Book value <sup>1</sup>	Par value	Book value <sup>1</sup>
Obligations sold only to this fund (special issues):				
Notes:				
5½ percent, 1975	\$583,612,000	\$583,612,000.00		
5½ percent, 1979	1,058,617,000	1,058,617,000.00	\$1,058,617,000	\$1,058,617,000.00
6½ percent, 1978	1,284,249,000	1,284,249,000.00	1,284,249,000	1,284,249,000.00
6½ percent, 1976	1,151,608,000	1,151,608,000.00	1,102,166,000	1,102,166,000.00
6½ percent, 1980	943,266,000	943,266,000.00	943,266,000	943,266,000.00
7½ percent, 1977	1,394,466,000	1,394,466,000.00	1,394,466,000	1,394,466,000.00
Bonds:				
3½ percent, 1978	89,570,000	89,570,000.00		
4½ percent, 1979	153,632,000	153,632,000.00		
4½ percent, 1980	125,606,000	125,606,000.00		
7½ percent, 1981			84,338,000	84,338,000.00
7½ percent, 1982			84,338,000	84,338,000.00
7½ percent, 1983			84,338,000	84,338,000.00
7½ percent, 1984			84,338,000	84,338,000.00
7½ percent, 1985			84,338,000	84,338,000.00
7½ percent, 1986			84,338,000	84,338,000.00
7½ percent, 1987			84,338,000	84,338,000.00
7½ percent, 1988			84,337,000	84,337,000.00
7½ percent, 1989			84,337,000	84,337,000.00
7½ percent, 1990			206,000,000	206,000,000.00
7½ percent, 1981	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1982	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1983	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1984	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1985	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1986	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1987	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1988	121,663,000	121,663,000.00	121,663,000	121,663,000.00
7½ percent, 1989	121,663,000	121,663,000.00	121,663,000	121,663,000.00
Total obligations sold only to this fund (special issues)	7,879,593,000	7,879,593,000.00	7,842,771,000	7,842,771,000.00
Total investments in public-debt obligations	8,194,588,000	8,192,612,629.56	8,157,766,000	8,155,889,419.29
Undisbursed balances		60,251,890.80		34,617,377.99
Total assets		8,252,864,520.36		8,190,506,797.28

<sup>1</sup> Par value, plus unamortized premium, less discount outstanding.

### EXPECTED OPERATIONS AND STATUS OF THE TRUST FUNDS DURING THE PERIOD JULY 1, 1975, TO DECEMBER 31, 1981

In the following statement of the expected operations and status of the trust funds during the period July 1, 1975, to December 31, 1981, it is assumed that present statutory provisions affecting the old-age, survivors, and disability insurance program will remain unchanged throughout the period. The estimates shown in the various tables in this section reflect the effect of the 1976 legislation, as described in a previous section. The income and disbursements of the program, however, are affected by general economic conditions as well as by legislative provisions. Economic conditions, of course, affect the levels of employment and taxable earnings; but under the automatic increase provisions in present law, economic conditions also directly affect benefits, the contribution and benefit base (i.e., the maximum annual amount of earnings taxable and creditable toward benefits), and the annual exempt amount under the retirement test (i.e., the maximum amount a beneficiary may earn in a year and still receive all of his benefits for the year).

Under the automatic provisions, benefits increase in accordance with increases in the Consumer Price Index (CPI). In the year immediately following each year in which an automatic benefit increase becomes effective, the contribution and benefit base, and the amount of earnings exempted from the withholding of benefits under the retirement test, automatically increase in proportion to the increase in average wages in covered employment. An automatic cost-of-living benefit increase of 8.0 percent, effective for June 1975, was established in May 1975, as described in Appendix C. As a result of this cost-of-living benefit increase, automatic increases in the contribution and benefit base, from \$14,100 in 1975 to \$15,300 in 1976, and in the annual exempt amount under the retirement test, from \$2,520 in 1975 to \$2,760 in 1976, were established in October 1975, as described in Appendix D. Another automatic cost-of-living benefit increase, effective for June 1976, has been determined to be 6.4 percent.

Statements about expected operations of the trust funds should be read with full recognition of the difficulties of estimating future income and outgo under changing economic conditions. Because of the uncertainty of future economic developments and because of the high degree of sensitivity of future trust fund income and outgo to assumed economic conditions, three alternative sets of estimates based on different economic assumptions are presented in this section.

Under the three sets of assumptions, designated as alternatives I, II, and III, the real level of economic activity is assumed to grow during the period 1976–81 at rates that differ among the three alternatives. Under alternatives I and II, the economy is expected to continue its recovery from the recession that began in 1974. The recovery is assumed to proceed at a moderate rate through 1981 under alternative II—the intermediate set of assumptions. Under the more optimistic assumptions of alternative I, the recovery is assumed to progress more rapidly after 1977. Under the more pessimistic assumptions of alternative III, economic growth is assumed to proceed more slowly after 1976.

The differences in assumed rates of change in economic activity under the three sets of assumptions are reflected in the assumed rates of growth in real gross national product (GNP) (see footnote 1 of table 10), and in the assumed rates of unemployment, for calendar years 1976–81 that are shown in table 10. The assumed increases in average wages in covered employment and the assumed future path of the CPI also differ among the three sets of assumptions, as shown in table 10.

In accordance with the assumptions shown in table 10, the estimates reflect the following changes that would occur, under the automatic provisions of the law, in each year 1977–81 (amounts for 1976 are also shown as a basis for comparison):

Year	General benefit increase <sup>1</sup> under alternative (percent)—			Contribution and benefit base <sup>2</sup>	Annual exempt amount under the retirement test <sup>2</sup>
	I	II	III		
1976.....	6.4	6.4	6.4	\$15,300	\$2,760
1977.....	5.9	5.9	5.9	16,500	3,000
1978.....	5.8	6.0	6.3	17,700	3,240
1979.....	5.3	5.8	6.3	19,200	3,480
1980.....	4.3	5.2	5.8	21,000	3,840
1981.....	4.0	4.8	5.0	22,800	4,200

<sup>1</sup> Effective with benefits for June of the stated year.

<sup>2</sup> The amounts, which become effective on Jan. 1 of the stated year, are the same for each year 1976–81 under all three sets of assumptions, because of the rounding procedures specified in the automatic increase provisions of the law.

TABLE 10.—ASSUMED PERCENTAGE INCREASE OVER PRIOR YEAR IN ANNUAL AVERAGE REAL GNP, IN ANNUAL AVERAGE WAGES, AND IN ANNUAL AVERAGE CPI, AND ASSUMED AVERAGE ANNUAL UNEMPLOYMENT RATE, UNDER THREE ALTERNATIVE SETS OF ASSUMPTIONS, CALENDAR YEARS 1975-81

Calendar year	Percentage increase in annual average—			Average annual unemployment rate (percent)
	Real GNP <sup>1</sup>	Wages	CPI	
<b>Alternative I:</b>				
1975	-2.0	6.8	9.1	8.5
1976	6.2	7.7	6.3	7.7
1977	5.7	8.5	6.0	6.9
1978	6.5	9.6	5.5	6.3
1979	6.5	9.1	5.0	5.6
1980	6.5	8.1	4.0	5.0
1981	5.5	6.8	4.0	4.5
<b>Alternative II:</b>				
1975	-2.0	6.8	9.1	8.5
1976	6.2	7.7	6.3	7.7
1977	5.7	8.5	6.0	6.9
1978	5.5	9.4	6.0	6.6
1979	5.5	8.5	5.5	6.2
1980	5.5	7.7	5.0	5.7
1981	5.5	6.7	4.5	5.2
<b>Alternative III:</b>				
1975	-2.0	6.8	9.1	8.5
1976	6.2	7.7	6.3	7.7
1977	4.0	8.0	6.0	7.6
1978	4.0	8.9	6.5	7.6
1979	4.0	7.9	6.0	7.6
1980	4.0	7.4	5.5	7.5
1981	4.0	6.6	5.0	7.4

<sup>1</sup> Based on GNP expressed in 1972 dollars (i.e., total output of goods and services adjusted for inflation since 1972).

The economic assumptions under alternative I for calendar years 1976 and 1977 are the same as the assumptions that appear on page 25 of the President's 1977 Budget. (However, the automatic benefit increase for June 1976, which was determined to be 6.4 percent after the Budget was completed, is lower than the 6.7 percent increase assumed for the Budget.) After 1977, the assumptions of alternative I are slightly more optimistic than the Budget assumptions. During the years 1978-81, the assumed annual percentage increases in real GNP and in average wages in covered employment under alternative I are slightly higher, on the average, than under the Budget assumptions. The rate of unemployment and the annual percentage increase in CPI during 1978-81 are, on the average, slightly lower under alternative I than under the Budget assumptions.

In preparing the intermediate set of assumptions (alternative II), the economic assumptions in the Budget for 1976 and 1977 were adopted without change, except for the automatic benefit increase for June 1976. For 1978-81, the assumed rate of growth in real GNP is somewhat lower than under alternative I. It is further assumed under alternative II that, although workers will regain the losses in real wages which occurred during the recession of 1974-75, the extent to which additional gains in real wages are realized during the assumed economic recovery will not be as great as under alternative I. Finally, under the intermediate assumptions, the projected increases in CPI are higher after 1977 than under alternative I.

The assumptions of alternative III are presented in this report in order to show estimates of the operations of the trust funds under a combination of less favorable economic conditions. While the growth of real GNP is assumed to continue, the assumptions of alternative III represent a slow-down in the rate of such growth. As a result, the assumed rate of unemployment remains well above 7 percent through

1981. It is also assumed that gains in average real wages will be smaller, and increases in CPI will be larger, than under the intermediate assumptions.

In interpreting the statements of expected trust fund operations that are presented in this section, it should again be emphasized that both future benefit levels and future amounts of contribution income are highly sensitive to assumed changes in economic conditions—e.g., growth in real GNP, changes in the CPI, levels of employment, and earnings levels. Estimates of the operations and status of the old-age and survivors insurance trust fund during calendar years 1976–81 are shown in table 11 for each of the three alternative sets of assumptions. Actual data for calendar year 1975 are also shown in the table. Under each alternative, it is assumed that employment and earnings will increase in every year through 1981. The number of persons with taxable earnings under the old-age, survivors, and disability insurance program is expected to increase from 100 million with such earnings during calendar year 1975 to about 118 million during calendar year 1981 under the intermediate assumptions. Under alternatives I and III, the number of persons with taxable earnings is estimated to reach 120 million and 114 million, respectively, by 1981. The total annual amount of taxable earnings is expected to increase from \$665 billion in 1975 to \$1,237 billion in 1981 under the intermediate assumptions. Under alternatives I and III, taxable earnings in 1981 are estimated to be \$1,271 billion and \$1,180 billion, respectively. These increases are due in part to the projected increases in average earnings and the accompanying automatic increases in the maximum taxable amount of annual earnings, as previously set forth.

TABLE 11.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING CALENDAR YEARS 1975–81 UNDER 3 ALTERNATIVE SETS OF ASSUMPTIONS

[Dollar amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
<b>Alternative I:</b>					
1975 <sup>1</sup> .....	\$59.6	\$60.4	—\$0.8	\$37.0	63
1976 .....	65.1	67.9	—2.7	34.3	55
1977 .....	73.3	75.3	—2.0	32.3	46
1978 .....	81.3	83.5	—2.2	30.1	39
1979 .....	90.5	91.5	—0.9	29.2	33
1980 .....	100.1	99.8	0.4	29.5	29
1981 .....	108.9	108.2	0.8	30.3	27
<b>Alternative II:</b>					
1975 <sup>1</sup> .....	59.6	60.4	— .8	37.0	63
1976 .....	65.1	67.9	—2.7	34.3	55
1977 .....	73.3	75.3	—2.0	32.3	46
1978 .....	80.6	83.6	—3.0	29.3	39
1979 .....	88.9	91.9	—3.1	26.3	32
1980 .....	97.6	101.0	—3.4	22.8	26
1981 .....	105.4	110.4	—5.0	17.9	21
<b>Alternative III:</b>					
1975 <sup>1</sup> .....	59.6	60.4	—0.8	37.0	63
1976 .....	65.1	67.9	—2.7	34.3	55
1977 .....	72.4	75.3	—2.9	31.4	46
1978 .....	79.0	83.8	—4.8	26.6	37
1979 .....	86.1	92.6	—6.5	20.1	29
1980 .....	93.4	102.3	—8.9	11.2	20
1981 <sup>2</sup> .....	99.6	112.3	—12.6	—1.4	10

<sup>1</sup> Figures for 1975 represent actual experience.

<sup>2</sup> Figures for 1981 are theoretical because, under alternative III, it is estimated that the old-age and survivors insurance trust fund will be exhausted in 1981.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the accompanying text and in table 10.

The rise in estimated income shown in table 11 under each set of assumptions reflects the increases in estimated taxable earnings under the different alternatives, as described above. In addition, the estimated income is affected by the changes in allocation of the contribution rates between old-age and survivors insurance and disability insurance trust funds scheduled for January 1 of 1978 and 1981 (table 1).

Rising disbursements during calendar years 1976–81 reflect the effects of the assumed future automatic benefit increases previously shown, as well as the long-range upward trend in the numbers of beneficiaries and in the amounts of average monthly earnings underlying benefits payable under the program. In each calendar year during the period 1976–81, outgo from the old-age and survivors insurance trust fund is estimated to exceed income under alternatives II and III. Under alternative I, estimated outgo exceeds estimated income in every year except 1980 and 1981.

The assets of the trust fund at the beginning of calendar year 1975 were equal to about 63 percent of expenditures during the year 1975. By the beginning of 1976, the assets of the fund had declined to 55 percent of estimated expenditures in 1976. By the beginning of 1981, the fund's assets are estimated to decrease to 27 percent, 21 percent, and 10 percent of expenditures, under alternatives I, II and III, respectively. Furthermore, it is estimated that under alternative III, the old-age and survivors insurance trust fund will be exhausted in calendar year 1981. Theoretical figures showing the operations of the trust fund in calendar year 1981 under alternative III are presented in table 11 for informational purposes. Under the intermediate assumptions, it is estimated that the trust fund would be exhausted in 1984, 3 years later than under alternative III. Under the assumptions of alternative I, although income exceeds expenditures in 1980 and 1981, it is estimated that the assets of the trust fund will begin to decline again in 1984 and will continue to decline thereafter.

The growth in the number of beneficiaries in the past and the expected growth in the future are attributable in large measure to the rising number of aged persons who are eligible for and receiving old-age and survivors insurance benefits. The growth in the number of eligible persons since 1940 has been uninterrupted. This growth results partly from the increase in the aged population and partly from two other factors—(1) in each succeeding year a larger proportion of the persons attaining age 65 became eligible for benefits, and (2) the amendments during the period 1950–73 liberalized the eligibility provisions and extended coverage to new categories of employment.

In addition, there has been a growth in the proportion of eligible persons who receive benefits. This growth is due to several factors, among which are (1) the amendments enacted during the period 1950–73 which affect the conditions governing the receipt of benefits, and (2) the increasing percentage of eligible persons who are aged 72 and over and who therefore receive benefits regardless of earnings.

The expected operations and status of the disability insurance trust fund during calendar years 1976–81 under the three sets of assumptions are shown in table 12, together with figures on actual experience in 1975. Income will increase during calendar years 1976–81, under each alternative, reflecting the same factors, insofar as they

apply to income to the disability insurance trust fund, that are reflected in the increase in income to the old-age and survivors insurance trust fund during the same period. Income will also rise as a result of the scheduled increases in the combined employee-employer contribution rate allocated for disability insurance, from 1.15 percent to 1.20 percent on January 1, 1978, and from 1.20 percent to 1.30 percent on January 1, 1981, and accompanying increases in contribution rates for self-employed persons. (These increases are exactly counterbalanced by decreases in the rates allocated for old-age and survivors insurance.) Disbursements will increase because of automatic benefit increases and because of increases in the numbers of beneficiaries and in the amounts of average monthly earnings on which benefits are based. Projected increases in the number of beneficiaries reflect assumed continued increases in disability incidence rates. Under all three sets of assumptions, disbursements are expected to exceed income in every year until the disability insurance trust fund is exhausted in 1979. Theoretical projections representing the operations of the trust fund in 1979-81 are shown in table 12 for informational purposes.

TABLE 12.—ESTIMATED OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING CALENDAR YEARS 1975-81 UNDER 3 ALTERNATIVE SETS OF ASSUMPTIONS

[Dollar amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during year
<b>Alternative I:</b>					
1975 <sup>1</sup> .....	\$8.0	\$8.8	-\$0.8	\$7.4	92
1976.....	8.7	10.3	-1.6	5.8	71
1977.....	9.7	11.7	-1.9	3.8	49
1978.....	11.1	13.2	-2.1	1.7	29
1979 <sup>2</sup> .....	12.3	14.9	-2.6	-0.9	12
1980 <sup>2</sup> .....	13.4	16.6	-3.2	-4.0	( <sup>3</sup> )
1981 <sup>2</sup> .....	15.7	18.4	-2.7	-6.7	( <sup>3</sup> )
<b>Alternative II:</b>					
1975 <sup>1</sup> .....	8.0	8.8	-0.8	7.4	92
1976.....	8.7	10.3	-1.6	5.8	71
1977.....	9.7	11.7	-1.9	3.8	49
1978.....	11.0	13.3	-2.2	1.6	29
1979 <sup>2</sup> .....	12.1	15.0	-2.9	-1.3	11
1980 <sup>2</sup> .....	13.1	16.8	-3.8	-5.0	( <sup>3</sup> )
1981 <sup>2</sup> .....	15.2	18.8	-3.6	-8.7	( <sup>3</sup> )
<b>Alternative III:</b>					
1975 <sup>1</sup> .....	8.0	8.8	-0.8	7.4	92
1976.....	8.7	10.3	-1.6	5.8	71
1977.....	9.6	11.7	-2.0	3.7	49
1978.....	10.8	13.3	-2.5	1.2	28
1979 <sup>2</sup> .....	11.7	15.1	-3.4	-2.2	8
1980 <sup>2</sup> .....	12.5	17.1	-4.6	-6.8	( <sup>3</sup> )
1981 <sup>2</sup> .....	14.3	19.1	-4.8	-11.6	( <sup>3</sup> )

<sup>1</sup> Figures for 1975 represent actual experience.

<sup>2</sup> Figures for 1979-81 are theoretical because it is estimated that the disability insurance trust fund will be exhausted in 1979.

<sup>3</sup> Fund exhausted in 1979.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the accompanying text and in table 10.

The expected operations and status of the old-age and survivors insurance and disability insurance trust funds, combined, during each calendar year 1976-81, under the three alternatives, are shown in table 13, together with figures on actual experience in 1975. Although the estimates under each of the three alternatives show that the

disability insurance trust fund is exhausted in 1979, figures for each year 1979-81 are shown in table 13 for informational purposes. Without legislation changing the allocation of the contribution rates to each trust fund, none of the estimated income to the old-age and survivors insurance trust fund can be allocated to the disability insurance trust fund; thus, the figures shown in table 13 for 1979-81 are theoretical, representing arithmetical addition of the figures shown in tables 11 and 12.

TABLE 13.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS, COMBINED, DURING CALENDAR YEARS 1975-81 UNDER 3 ALTERNATIVE SETS OF ASSUMPTIONS

[Dollar amounts in billions]

Calendar year	Income	Disbursements	Net increase in funds	Fund at end of year	Funds at beginning of year as a percentage of disbursements during year
<b>Alternative I:</b>					
1975 <sup>1</sup> .....	\$67.6	\$69.2	-\$1.5	\$44.3	66
1976.....	73.8	78.2	-4.3	40.0	57
1977.....	83.0	86.9	-3.9	36.1	46
1978.....	92.4	96.7	-4.3	31.8	37
1979 <sup>2</sup> .....	102.8	106.3	-3.5	28.3	30
1980 <sup>2</sup> .....	113.6	116.4	-2.8	25.5	24
1981 <sup>2</sup> .....	124.6	126.6	-2.0	23.5	20
<b>Alternative II:</b>					
1975 <sup>1</sup> .....	67.6	69.2	-1.5	44.3	66
1976.....	73.8	78.2	-4.3	40.0	57
1977.....	83.0	86.9	-3.9	36.1	46
1978.....	91.6	96.8	-5.2	30.9	37
1979 <sup>2</sup> .....	100.9	106.9	-5.9	25.0	29
1980 <sup>2</sup> .....	110.6	117.8	-7.2	17.8	21
1981 <sup>2</sup> .....	120.6	129.2	-8.6	9.2	14
<b>Alternative III:</b>					
1975 <sup>1</sup> .....	67.6	69.2	-1.5	44.3	66
1976.....	73.8	78.2	-4.3	40.0	57
1977.....	82.1	87.0	-4.9	35.1	46
1978.....	89.8	97.1	-7.3	27.8	36
1979 <sup>2</sup> .....	97.7	107.7	-9.9	17.9	26
1980 <sup>2</sup> .....	105.9	119.4	-13.5	4.4	15
1981 <sup>2</sup> .....	114.0	131.4	-17.5	-13.0	3

<sup>1</sup> Figures for 1975 represent actual experience.

<sup>2</sup> Because the disability insurance trust fund is exhausted in 1979 under each alternative, and because none of the estimated income to one trust fund can be allocated to the other trust fund, under present law, the figures for 1979-81 are theoretical, representing arithmetical addition of figures shown in tables 11 and 12.

Note: Totals do not necessarily equal the sum of rounded components. The assumptions underlying the estimates are described in the accompanying text and in table 10.

Expenditures in calendar year 1975, from both trust funds combined, were 10.65 percent of taxable earnings for the year—0.75 percent more than the combined employee-employer contribution rate of 9.90 percent. During calendar years 1976-81, expenditures from both trust funds, combined, are estimated to fluctuate within a relatively narrow range of 10.67-10.78 percent of taxable earnings, under the intermediate set of assumptions. These percentages, as well as the percentages under alternatives I and III, are shown in table 14 for both trust funds combined and for each trust fund separately. Table 14 also shows a comparison of each of the percentages with the corresponding combined employee-employer contribution rate. Since it is estimated that the disability insurance trust fund will be exhausted in 1979, the 1979-81 figures for that trust fund and for both trust funds combined, shown in table 14 for informational purposes, are theoretical. Similarly, the 1981 percentage for the old-age and survivors insurance trust fund under alternative III is also theoretical.

TABLE 14.—EXPENDITURES FROM THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS AS A PERCENTAGE OF TAXABLE PAYROLL COMPARED WITH COMBINED EMPLOYEE-EMPLOYER CONTRIBUTION RATES, FOR CALENDAR YEARS 1975-81 UNDER 3 ALTERNATIVE SETS OF ASSUMPTIONS

Calendar year	Old-age and survivors insurance trust fund			Disability insurance trust fund			Old-age and survivors insurance and disability insurance trust funds, combined		
	Expenditures as a percentage of taxable payroll <sup>1</sup>	Combined employee-employer contribution rate	Difference <sup>2</sup>	Expenditures as a percentage of taxable payroll <sup>1</sup>	Combined employee-employer contribution rate	Difference <sup>2</sup>	Expenditures as a percentage of taxable payroll <sup>1</sup>	Combined employee-employer contribution rate	Difference <sup>2</sup>
<b>Alternative I:</b>									
1975 <sup>3</sup> .....	9.29	8.75	-0.54	1.36	1.15	-0.21	10.65	9.90	-0.75
1976 .....	9.36	8.75	-.61	1.42	1.15	-.27	10.78	9.90	-.88
1977 .....	9.28	8.75	-.53	1.44	1.15	-.29	10.72	9.90	-.82
1978 .....	9.19	8.70	-.49	1.46	1.20	-.26	10.65	9.90	-.75
1979 .....	9.00	8.70	-.30	1.46	1.20	-.26	10.46	9.90	-.56
1980 .....	8.83	8.70	-.13	1.47	1.20	-.27	10.30	9.90	-.40
1981 .....	8.69	8.60	-.09	1.48	1.30	-.18	10.18	9.90	-.28
<b>Alternative II:</b>									
1975 <sup>3</sup> .....	9.29	8.75	-.54	1.36	1.15	-.21	10.65	9.90	-.75
1976 .....	9.36	8.75	-.61	1.42	1.15	-.27	10.78	9.90	-.88
1977 .....	9.28	8.75	-.53	1.44	1.15	-.29	10.72	9.90	-.82
1978 .....	9.28	8.70	-.58	1.47	1.20	-.27	10.75	9.90	-.85
1979 .....	9.21	8.70	-.51	1.50	1.20	-.30	10.71	9.90	-.81
1980 .....	9.15	8.70	-.45	1.53	1.20	-.33	10.68	9.90	-.78
1981 .....	9.12	8.60	-.52	1.55	1.30	-.25	10.67	9.90	-.77
<b>Alternative III:</b>									
1975 <sup>3</sup> .....	9.29	8.75	-.54	1.36	1.15	-.21	10.65	9.90	-.75
1976 .....	9.36	8.75	-.61	1.42	1.15	-.27	10.78	9.90	-.88
1977 .....	9.40	8.75	-.65	1.46	1.15	-.31	10.85	9.90	-.95
1978 .....	9.49	8.70	-.79	1.51	1.20	-.31	11.00	9.90	-1.10
1979 .....	9.55	8.70	-.85	1.56	1.20	-.36	11.11	9.90	-1.21
1980 .....	9.63	8.70	-.93	1.61	1.20	-.41	11.24	9.90	-1.34
1981 .....	9.73	8.60	-1.13	1.66	1.30	-.36	11.39	9.90	-1.49

<sup>1</sup> Percentage takes into account (1) the lower contribution rate payable by the self-employed compared with combined employee-employer rate (2) employee contributions subject to refund, and (3) that only the employee contribution is payable on tips taxable as wages. Expenditures are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than 3 quarters of coverage, costs of which are financed from the general fund of the Treasury.

<sup>2</sup> Represents difference between tax contribution income and total outgo, as a percentage of taxable payroll, and therefore excludes the effects of other sources of income (principally interest income). Total income and outgo during 1975-81 are shown in tables 11-13.

<sup>3</sup> Percentages for 1975, though based on actual experience, are preliminary and subject to revision.

Estimates of the operations of the trust funds during calendar years 1976-81 have been presented in the preceding tables of this section under three different sets of economic assumptions because of the uncertainty of future economic developments. Under the provisions of the Social Security Act, it is required that estimates of the expected operations and status of the trust funds during the next 5 fiscal years be shown in this report. In accordance with these statutory provisions, detailed estimates of the expected operations and status of the trust funds during each fiscal year 1976-81 are shown in the remaining tables of this section for the intermediate set of assumptions (alternative II), only. Similar detailed estimates under the intermediate assumptions are also shown, as in previous annual reports, on a calendar year basis for the period 1976-81.

Data on the actual operations of the old-age and survivors insurance trust fund for selected years during the period 1940-75<sup>1</sup>, and estimates of the expected operations of the trust funds during 1976-81 under the intermediate set of assumptions, are shown in tables 15 and 16 on a fiscal year basis and a calendar year basis, respectively. Corresponding figures on the operations of the disability insurance trust fund during the period 1960-81 are shown in tables 17 and 18. Operations of both trust funds combined are shown in tables 19 and 20.

Expenditures as a percentage of taxable earnings for years prior to 1976, as well as the estimated percentages for 1976-81 under the intermediate assumptions, are shown in table 21 for both trust funds combined and for each trust fund separately. (Although the estimated percentages for 1976-81 have been shown in table 14, they are repeated in table 21 for comparison with past experience.)

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<sup>1</sup>Data relating to the operations of the two trust funds for years not shown in tables 15-18 are contained in earlier annual reports.

TABLE 15.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING SELECTED FISCAL YEARS 1940-75 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1976-81 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions of dollars]

Fiscal year <sup>1</sup>	Transactions during period										Net increase in fund	Fund at end of period	
	Income					Disbursements							
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—	Payments to non-insured persons aged 72 and over	Interest on investments <sup>2</sup>	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses <sup>2</sup>	Transfers to railroad retirement account			
<b>Past experience:</b>													
1940.....	592	550			42	28	16		12			564	1,745
1945.....	1,434	1,310			124	267	240		27			1,167	6,613
1950.....	2,367	2,106	4		257	784	727		57			1,583	12,893
1955.....	5,525	5,087			438	4,427	4,333		103		-10	1,098	21,141
1960.....	10,360	9,843			517	11,073	10,270		202		600	-713	20,829
1965.....	16,443	15,857			586	15,962	15,226		300		436	482	20,180
1966.....	18,461	17,866			595	18,769	18,071		254		444	-308	19,872
1967.....	23,371	22,567	78		726	19,728	18,886	(3)	334		508	3,643	23,515
1968.....	23,640	22,662	78		899	21,622	20,737	(9)	447		438	2,018	25,533
1969.....	27,348	25,953	156	226	1,014	24,690	23,732	2	465		491	2,658	28,191
1970.....	31,746	29,955	78	364	1,350	27,321	26,267	1	474		579	4,425	32,616
1971.....	33,982	31,915	78	371	1,618	32,268	31,101	2	552		613	1,714	34,331
1972.....	37,917	35,711	137	351	1,719	35,849	34,541	2	582		724	2,068	36,399
1973.....	43,639	41,318	138	337	1,847	43,623	42,170	2	667		783	17	36,416
1974.....	50,936	48,455	139	303	2,039	49,485	47,849	4	723		909	1,451	37,867
1975.....	58,757	56,017	140	307	2,292	56,676	54,839	8	848		982	2,081	39,948
<b>Estimated future experience <sup>4</sup>:</b>													
1976.....	62,383	59,593	157	268	2,365	64,233	62,245	8	925		1,055	-1,850	38,098
July-September 1976.....	16,641	16,060			581	17,234	16,983	3	248			-593	37,505
1977.....	71,835	68,909	378	236	2,312	73,426	71,155	7	1,014		1,250	-1,591	35,914
1978.....	79,148	76,376	378	213	2,181	81,493	78,813	11	1,078		1,591	-2,345	33,569
1979.....	87,160	84,604	376	223	1,957	89,712	87,221	13	1,158		1,320	-2,552	31,017
1980.....	95,561	93,315	380	147	1,719	98,722	96,099	14	1,240		1,369	-3,161	27,856
1981.....	103,349	101,362	384	130	1,473	108,023	105,257	16	1,318		1,432	-4,674	23,182

<sup>1</sup> Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consist of the 12 mo. ending on Sept. 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ends on June 30, 1976, to fiscal year 1977, which begins on Oct. 1, 1976.

<sup>2</sup> Interest on investments includes net profits on marketable investments. Total administrative expenses exclude expenses for the period ending Dec. 31, 1939; for that period, appropriations to the old-age and survivors insurance trust fund (designated as the old-age reserve account prior to Jan. 1, 1940) were approximately equivalent to tax contributions collected by the Treasury Department less administrative expenses. Beginning in 1954, administrative expenses include costs of construction of office space for the Social Security Administration. Beginning in 1967, administrative expenses

incurred under each of the 4 programs, old-age and survivors insurance, disability insurance, hospital insurance, and supplementary medical insurance, are charged currently to the appropriate trust fund on an estimated basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on investments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 Annual Report of the Board of Trustees.

<sup>3</sup> Less than \$500,000.

<sup>4</sup> In interpreting the estimates, reference should be made to table 10 and the accompanying text which describe the underlying assumptions.

TABLE 16.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND DURING SELECTED CALENDAR YEARS 1940-75 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR CALENDAR YEARS 1976-81 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions of dollars]

Calendar year	Transactions during period										Fund at end of period	
	Income					Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account		Net increase in fund
			Noncontributory credits for military service	Payments to non-insured persons aged 72 and over								
Past experience:												
1940	368	325			43	62	35		26		306	2,031
1945	1,420	1,285			134	304	274		30		1,116	7,121
1950	2,928	2,667	4		257	1,022	961		61		1,905	13,721
1955	6,167	5,713			454	5,079	4,968		119	-7	1,087	21,663
1960	11,382	10,866			516	11,198	10,677		203	318	184	20,324
1965	16,610	16,017			593	17,501	16,737		328	436	-890	18,235
1966	21,302	20,580			644	18,967	18,267	(1)	256	444	2,335	20,570
1967	24,034	23,138	78		818	20,382	19,468	(1)	406	508	3,652	24,222
1968	25,040	23,719	156	226	939	23,557	22,642	1	476	438	1,483	25,704
1969	29,554	27,947	78	364	1,165	25,176	24,209	1	474	491	4,378	30,082
1970	32,220	30,256	78	371	1,515	29,848	28,796	2	471	579	2,371	32,454
1971	35,877	33,723	137	351	1,667	34,542	33,413	2	514	613	1,335	33,789
1972	40,050	37,781	138	337	1,794	38,522	37,122	2	674	724	1,528	35,318
1973	48,344	45,975	139	303	1,928	47,175	45,741	3	647	783	1,169	36,487
1974	54,688	52,081	140	307	2,159	53,397	51,618	5	865	909	1,291	37,777
1975	59,605	56,816	157	268	2,364	60,395	58,509	9	896	982	-790	36,987
Estimated future experience:												
1976	65,141	62,662	378	236	1,865	67,853	65,845	9	944	1,055	-2,711	34,276
1977	73,303	70,391	378	213	2,321	75,290	73,006	8	1,026	1,250	-1,987	32,289
1978	80,604	77,822	376	223	2,183	83,568	80,869	12	1,096	1,591	-2,964	29,325
1979	88,874	86,388	380	147	1,959	91,926	89,417	13	1,176	1,320	-3,052	26,273
1980	97,556	95,295	384	130	1,747	101,004	98,363	15	1,257	1,369	-3,448	22,825
1981	105,409	103,422	388	115	1,484	110,373	107,589	17	1,335	1,432	-4,964	17,861

<sup>1</sup> Less than \$500,000.

Note: In interpreting the above, reference should be made to the footnotes in table 15.

TABLE 17.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING SELECTED FISCAL YEARS 1960-75 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEARS 1976-81 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

(In millions of dollars)

Transactions during period

Fiscal year <sup>1</sup>	Income				Disbursements					Net increase in fund	Fund at end of period
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for cost of noncontributory credits for military service	Interest on investments <sup>2</sup>	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses <sup>2</sup>	Transfers to railroad retirement account		
<b>Past experience <sup>3</sup>:</b>											
1960	1,034	987		47	533	528		32	-27	501	2,167
1965	1,237	1,175		62	1,495	1,392		79	24	-257	2,007
1966	1,611	1,557		54	1,931	1,721	1	183	25	-321	1,686
1967	2,332	2,249	16	67	1,997	1,861	7	99	31	335	2,022
1968	2,800	2,699	16	85	2,236	2,088	15	112	20	564	2,585
1969	3,705	3,532	32	141	2,613	2,443	15	133	21	1,092	3,678
1970	4,380	4,141	16	223	2,954	2,778	16	149	10	1,426	5,104
1971	4,911	4,569	16	325	3,606	3,381	21	190	13	1,305	6,408
1972	5,291	4,853	50	388	4,309	4,046	28	212	24	982	7,390
1973	5,947	5,461	51	435	5,467	5,162	39	247	20	479	7,869
1974	6,768	6,234	52	482	6,385	6,159	50	154	22	383	8,253
1975	7,920	7,356	52	512	7,982	7,630	71	253	29	-62	8,191
<b>Estimated future experience <sup>4</sup>:</b>											
1976	8,399	7,835	90	474	9,592	9,199	91	274	28	-1,193	6,997
July-September 1976	2,224	2,112		112	2,654	2,552	33	70		-430	6,567
1977	9,518	9,057	103	358	11,272	10,811	84	338	39	-1,754	4,813
1978	10,735	10,397	114	224	12,857	12,322	134	360	41	-2,122	2,691
1979	11,828	11,670	112	46	14,518	13,951	153	388	26	-2,690	1
1980 <sup>5</sup>	12,794	12,871	114	-191	16,350	15,734	175	419	22	-3,556	-3,555
1981 <sup>5</sup>	14,593	14,955	116	-478	18,285	17,623	198	443	21	-3,692	-7,247

<sup>1</sup> Under the Congressional Budget Act of 1974 (Public Law 93-344), fiscal years 1977 and later consist of the 12 mo ending on Sept. 30 of each year. The act further provides that the calendar quarter July-September 1976 is a period of transition from fiscal year 1976, which ends on June 30, 1976, to fiscal year 1977, which begins on Oct. 1, 1976.

<sup>2</sup> Interest on investments includes net profits on marketable investments. Beginning in 1967, administrative expenses incurred under the disability insurance program are charged directly to the trust fund on a current (preliminary) basis, with a final adjustment, including interest, made in the following fiscal year. The amounts of these interest adjustments are included in interest on invest-

ments. For years prior to 1967, a description of the method of accounting for administrative expenses is contained in the 1970 annual report of the Board of Trustees.

<sup>3</sup> The financial operations of the disability insurance trust fund began in the latter half of fiscal year 1957.

<sup>4</sup> In interpreting the estimates, reference should be made to table 10 and the accompanying text which describe the underlying assumptions.

<sup>5</sup> Figures for 1980-81 are theoretical because the disability insurance trust fund is exhausted in fiscal year 1980.

TABLE 18.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND DURING SELECTED CALENDAR YEARS 1960-75 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1976-81 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions of dollars]

Calendar year	Transactions during period										Fund at end of period
	Income				Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for cost of noncontributory credits for military service	Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account	Net increase in fund	
<b>Past experience:</b>											
1960	1,063	1,010		53	600	568		36	-5	464	2,289
1965	1,247	1,188		59	1,687	1,573		90	24	-440	1,606
1966	2,079	2,006	16	58	1,947	1,781	3	137	25	133	1,739
1967	2,379	2,286	16	78	2,089	1,939	11	109	31	290	2,029
1968	3,454	3,316	32	106	2,458	2,294	16	127	20	996	3,025
1969	3,792	3,599	16	177	2,716	2,542	15	138	21	1,075	4,100
1970	4,774	4,481	16	277	3,259	3,067	18	164	10	1,514	5,614
1971	5,031	4,620	50	361	4,000	3,758	24	205	13	1,031	6,645
1972	5,572	5,107	51	414	4,759	4,473	29	233	24	813	7,457
1973	6,443	5,932	52	458	5,973	5,718	46	190	20	470	7,927
1974	7,378	6,826	52	500	7,196	6,903	54	217	22	182	8,109
1975	8,035	7,444	90	502	8,790	8,414	91	256	29	-754	7,354
<b>Estimated future experience:</b>											
1976	8,696	8,236	103	357	10,298	9,877	98	295	28	-1,602	5,752
1977	9,726	9,251	114	361	11,655	11,177	96	343	39	-1,929	3,823
1978	11,033	10,696	112	225	13,260	12,715	138	366	41	-2,227	1,596
1979 <sup>1</sup>	12,066	11,917	114	35	14,957	14,377	159	395	26	-2,891	-1,295
1980 <sup>1</sup>	13,070	13,145	116	-191	16,823	16,197	180	424	22	-3,753	-5,048
1981 <sup>1</sup>	15,180	15,538	120	-478	18,795	18,121	204	449	21	-3,615	-8,663

<sup>1</sup> Figures for 1979-81 are theoretical because the disability insurance trust fund is exhausted in calendar year 1979.

Note: In interpreting the above, reference should be made to the footnotes in table 17.

TABLE 19.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND THE DISABILITY INSURANCE TRUST FUNDS, COMBINED, DURING SELECTED FISCAL YEARS 1960-75 AND ESTIMATED FUTURE OPERATIONS DURING FISCAL YEAR 1976-81 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions of dollars]

Fiscal year	Transactions during period											
	Income					Disbursements						
	Total	Contributions, less refunds	Reimbursements from general fund of Treasury for costs of—		Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Administrative expenses	Transfers to railroad retirement account	Net increase in funds	Funds at end of period
			Noncontributory credits for military service	Payments to non-insured persons aged 72 and over								
Past experience:												
1960	11,394	10,830			564	11,606	10,798		234	574	-212	22,996
1965	17,681	17,032			648	17,456	16,618		379	459	224	22,187
1966	20,071	19,423			649	20,700	19,793	1	437	469	-629	21,558
1967	25,703	24,816			793	21,725	20,747	7	433	539	3,979	25,537
1968	26,440	25,362	94		984	23,859	22,825	16	560	458	2,581	28,118
1969	31,054	29,485	188	226	1,155	27,303	26,175	17	599	513	3,750	31,868
1970	36,127	34,096	94	364	1,572	30,275	29,045	18	623	589	5,852	37,720
1971	38,893	36,485	94	371	1,943	35,874	34,482	23	742	626	3,019	40,739
1972	43,208	40,564	187	351	2,107	40,158	38,587	29	794	749	3,950	43,789
1973	49,586	46,779	189	337	2,281	49,090	47,332	42	914	802	496	44,285
1974	57,704	54,689	191	303	2,521	55,869	54,007	54	878	931	1,835	46,120
1975	66,677	63,374	192	307	2,804	64,658	62,469	79	1,101	1,010	2,018	48,138
Estimated future experience:												
1976	70,782	67,428	247	268	2,839	73,825	71,444	98	1,200	1,083	-3,043	45,095
July-September 1976	18,865	18,172			693	19,888	19,535	35	318		-1,023	44,072
1977	81,353	77,966	481	236	2,670	84,698	81,966	92	1,352	1,289	-3,345	40,727
1978	89,883	86,773	492	213	2,405	94,350	91,135	145	1,438	1,632	-4,467	36,260
1979	98,988	96,274	488	223	2,003	104,230	101,172	166	1,546	1,346	-5,242	31,018
1980 <sup>1</sup>	108,355	106,186	494	147	1,528	115,072	111,833	189	1,659	1,391	-6,717	24,301
1981 <sup>1</sup>	117,942	116,317	500	130	995	126,308	122,880	214	1,761	1,453	-8,366	15,935

<sup>1</sup> Because the disability insurance trust fund is exhausted in fiscal year 1980 under the intermediate assumptions, and because none of the estimated income to 1 trust fund can be allocated to the other trust fund, under present law, the figures for 1980-81 are theoretical, representing arithmetical

addition of figures shown in tables 15 and 17.

Note.—In interpreting the above, reference should be made to the footnotes in table 15.

TABLE 20.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND THE DISABILITY INSURANCE TRUST FUNDS, COMBINED, DURING SELECTED CALENDAR YEARS 1960-75 AND ESTIMATED FUTURE OPERATIONS DURING CALENDAR YEARS 1976-81 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

[In millions of dollars]

Calendar year	Transactions during period										Funds at end of period	
	Income					Disbursements						
	Total	Reimbursements from general fund of Treasury for costs of—			Interest on investments	Total	Benefit payments	Payments for vocational rehabilitation services	Admini- strative expenses	Transfers to railroad retirement account		Net increase in funds
		Contributions, less refunds	Noncon- tributory credits for military service	Payments to non- insured persons aged 72 and over								
<b>Past experience:</b>												
1960	12,445	11,876			569	11,798	11,245		240	314	647	22,613
1965	17,857	17,205			651	19,187	18,311		418	459	-1,331	19,841
1966	23,381	22,585	94		702	20,913	20,048	3	393	469	-2,467	22,308
1967	26,413	25,424	94		896	22,471	21,406	11	515	539	3,942	26,250
1968	28,493	27,034	188	226	1,045	26,015	24,936	17	603	458	2,479	28,729
1969	33,346	31,546	94	364	1,342	27,892	26,751	16	612	513	5,453	34,182
1970	36,993	34,737	94	371	1,791	33,108	31,863	20	635	589	3,886	38,068
1971	40,908	38,343	187	351	2,027	38,542	37,171	26	719	626	2,366	40,434
1972	45,622	42,888	189	337	2,208	43,281	41,595	30	907	749	2,341	42,775
1973	54,787	51,907	191	303	2,386	53,148	51,459	49	837	802	1,639	44,414
1974	62,066	58,907	192	307	2,660	60,593	58,521	59	1,082	931	1,472	45,886
1975	67,640	64,259	247	268	2,866	69,184	66,923	99	1,152	1,010	-1,544	44,342
<b>Estimated future experience:</b>												
1976	73,837	70,898	481	236	2,222	78,151	75,722	107	1,239	1,083	-4,314	40,028
1977	83,029	79,642	492	213	2,682	86,945	84,183	104	1,369	1,289	-3,916	36,112
1978	91,637	88,518	488	223	2,408	96,828	93,584	150	1,462	1,632	-5,191	30,921
1979 <sup>1</sup>	100,940	98,305	494	147	1,994	106,883	103,794	172	1,571	1,346	-5,943	24,978
1980 <sup>1</sup>	110,626	108,440	500	130	1,556	117,827	114,560	195	1,681	1,391	-7,201	17,777
1981 <sup>1</sup>	120,589	118,960	508	115	1,006	129,168	125,710	221	1,784	1,453	-8,579	9,198

<sup>1</sup> Because the disability insurance trust fund is exhausted in calendar year 1979 under the intermediate assumptions, and because none of the estimated income to one trust fund can be allocated to the other trust fund, under present law, the figures for 1979-81 are theoretical, representing

arithmetical addition of figures shown in tables 16 and 18.

Note: In interpreting the above, reference should be made to the footnotes in table 15.

TABLE 21.—EXPENDITURES FROM THE OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE TRUST FUNDS AS A PERCENTAGE OF TAXABLE PAYROLL FOR SELECTED CALENDAR YEARS 1960-75 AND ESTIMATED FUTURE PERCENTAGES FOR CALENDAR YEARS 1976-81 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

Calendar year	Expenditures as a percentage of taxable payroll <sup>1</sup>		
	Old-age and survivors insurance and disability insurance trust funds, combined	Old-age and survivors insurance trust fund	Disability insurance trust fund
<b>Past experience:</b>			
1960.....	5.89	5.59	0.30
1965.....	7.93	7.23	0.70
1966.....	6.88	6.24	0.64
1967.....	6.92	6.27	0.65
1968.....	7.03	6.35	0.67
1969.....	7.08	6.38	0.70
1970.....	8.12	7.32	0.81
1971.....	9.23	8.27	0.97
1972.....	9.15	8.13	1.01
1973.....	9.69	8.59	1.09
1974.....	9.72	8.56	1.16
1975.....	10.65	9.29	1.36
<b>Estimated future experience<sup>2</sup>:</b>			
1976.....	10.78	9.36	1.42
1977.....	10.72	9.28	1.44
1978.....	10.75	9.28	1.47
1979.....	10.71	9.21	1.50
1980.....	10.68	9.15	1.53
1981.....	10.67	9.12	1.55

<sup>1</sup> Percentage takes into account (1) the lower contribution rate payable by the self-employed compared with combined employee-employer rate, (2) employee contributions subject to refund, and (3) that for 1966 and later, only the employee contribution is payable on tips taxable as wages. Beginning in 1966, expenditures are adjusted to exclude payments to certain noninsured persons aged 72 and over with less than 3 quarters of coverage, costs of which are financed from the general fund of the Treasury. For 1971-75, percentages are preliminary and subject to revision.

<sup>2</sup> In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions.

Assets at the beginning of the year as a percentage of expenditures during the year for both trust funds combined is estimated to be about 57 percent for calendar year 1976. The percentage will drop each year, as the assets of the trust funds decline during the period 1976-81; and by calendar year 1981, the percentage is estimated to be 14 percent under the intermediate assumptions. The estimated percentage for each of the calendar years 1976-81 under the intermediate set of assumptions, as well as the actual percentages for earlier years, are shown in table 22 for both trust funds combined and for each trust fund separately. (Although the estimated percentages for 1976-81 have been shown in earlier tables in this section, they are repeated in table 22 for comparison with past experience.)

TABLE 22.—ASSETS, AT THE BEGINNING OF THE YEAR, AS A PERCENTAGE OF EXPENDITURES DURING THE YEAR, FOR THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM, BY TRUST FUND, FOR SELECTED CALENDAR YEARS 1960-75, AND ESTIMATED FUTURE PERCENTAGES FOR CALENDAR YEARS 1976-81 UNDER THE INTERMEDIATE SET OF ASSUMPTIONS

Calendar year	Assets, at the beginning of the year, as a percentage of expenditures during the year		
	Old-age and survivors insurance and disability insurance trust funds, combined	Old-age and survivors insurance trust fund	Disability insurance trust fund
<b>Past experience:</b>			
1960.....	186	180	304
1965.....	110	109	121
1966.....	95	96	83
1967.....	99	101	83
1968.....	101	103	83
1969.....	103	102	111
1970.....	103	101	126
1971.....	99	94	140
1972.....	93	88	140
1973.....	80	75	125
1974.....	73	68	110
1975.....	66	63	92
<b>Estimated future experience<sup>1</sup>:</b>			
1976.....	57	55	71
1977.....	46	46	49
1978.....	37	39	29
1979.....	29	32	11
1980.....	21	26	( <sup>2</sup> )
1981.....	14	21	( <sup>2</sup> )

<sup>1</sup> In interpreting the estimates, reference should be made to the accompanying text which describes the underlying assumptions.

<sup>2</sup> The disability insurance trust fund is exhausted in 1979.

The estimates in the tables in this section include the effects of various provisions to which reference has been made in earlier sections, namely, the provisions for (1) reimbursements to the trust funds from the general fund of the Treasury for the costs of granting noncontributory credits for military service and for the costs of monthly payments to certain noninsured persons aged 72 and over, and (2) financial interchanges between the railroad retirement account and the trust funds.

There has been increased interest on the part of some State and local government systems in terminating the voluntary agreements under which social security coverage is provided for their public employees. The termination of coverage for any large number of State and local government employees would have an adverse effect on the trust funds, especially in the short range. Notices of intention to terminate coverage of employees of various political subdivisions, including a few subdivisions with significantly large numbers of employees, have been filed by some of the States. In such cases, coverage will be terminated 2 years after the notice was filed, unless the State withdraws the notice during the 2-year period. The estimates presented in this section, and in the following sections of this report, do not reflect the effects of future terminations of coverage which may become effective as a result of such notices that have been filed and that are still pending.

As previously stated, the estimates presented in this section show substantial declines in the assets of both trust funds through 1981 under each of the three alternative sets of assumptions on which the estimates are based. As already noted, the estimates show that the assets of the disability insurance trust fund will be exhausted in 1979 under each alternative, and that the assets of the old-age and survivors insurance trust fund would be exhausted in 1981 under alternative III, and in 1984 under the intermediate assumptions. The expected substantial decline in the assets of the trust funds during 1976-81 was anticipated in the 1975 annual report and is attributable primarily to (1) the reduction in contribution income resulting from lower levels of employment and taxable earnings due to the recession that began in 1974; (2) the sharp upward movement in the CPI in 1974 and 1975, with the result that automatic benefit increases are larger than they would have otherwise been; and (3) the increasing number of disabled workers receiving disability insurance benefits.

#### ACTUARIAL ANALYSIS OF BENEFIT DISBURSEMENTS FROM THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND WITH RESPECT TO DISABLED BENEFICIARIES

(Specifically required by Sec. 201(c) of the Social Security Act)

Effective January 1957, monthly benefits have been payable from the old-age and survivors insurance trust fund to disabled adult children aged 18 and over—sons and daughters of retired and deceased workers—with respect to disabilities that have continued since childhood. Effective February 1968, reduced monthly benefits have been payable from this trust fund to disabled widows and widowers beginning at age 50.

On December 31, 1975, about 436,000 persons were receiving monthly benefits from the old-age and survivors insurance trust fund with respect to disability. In addition to disabled beneficiaries, this total includes 36,000 mothers. These mothers—wives under age 65 of retired-worker beneficiaries and widows of deceased insured workers—met all other qualifying requirements and were receiving full-rate (i.e., not reduced for age) benefits solely because they had at least one disabled-child beneficiary in their care. Benefits paid from this trust fund to persons receiving benefits with respect to disability totaled \$664 million in calendar year 1975. Similar figures are presented in table 23 to show the experience in each of the calendar years 1957-75.

Table 23 also shows the expected future experience in calendar years 1976-81, under the intermediate set of economic assumptions described in the preceding section. Total benefit payments from the old-age and survivors insurance trust fund with respect to disabled beneficiaries are estimated to increase from \$750 million in calendar year 1976 to \$1,387 million in calendar year 1981, under the intermediate assumptions.